

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

25 MAG 1205

UNITED STATES OF AMERICA

v.

RICHARD KIM,

Defendant.

SEALED COMPLAINT

Violations of 18 U.S.C. §§ 1343 & 2;
15 U.S.C. §§ 78j(b), 78ff; 17 C.F.R.
§ 240.10b-5

COUNTY OF OFFENSES:
NEW YORK

SOUTHERN DISTRICT OF NEW YORK, ss.:

THOMAS MCGUIRE, being duly sworn, deposes and says that he is a Special Agent with the Federal Bureau of Investigation, and charges as follows:

COUNT ONE

(Wire Fraud)

1. From at least in or about March 2024 through at least in or about July 2024, in the Southern District of New York and elsewhere, RICHARD KIM, the defendant, knowingly having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises, transmitted and caused to be transmitted by means of wire, radio, and television communication in interstate and foreign commerce, writings, signs, signals, pictures, and sounds, for the purpose of executing such scheme and artifice, to wit, KIM engaged in a scheme to misappropriate funds invested in the Zero Edge company, and sent and received, and caused others to send and receive, electronic communications or financial wires to and from the Southern District of New York and elsewhere, in furtherance of that scheme.

(Title 18, United States Code, Section 1343 & 2.)

COUNT TWO

(Securities Fraud)

2. From at least in or about March 2024 through at least in or about July 2024, in the Southern District of New York and elsewhere, RICHARD KIM, the defendant, willfully and knowingly, directly and indirectly, by use of the means and instrumentalities of interstate commerce, and of the mails and of the facilities of national securities exchanges, used and employed, in connection with the purchase and sale of securities, manipulative and deceptive devices and contrivances, in violation of Title 17, Code of Federal Regulations, Section 240.10b-5, by: (a) employing devices, schemes and artifices to defraud; (b) making untrue statements of material facts and omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaging in acts, practices and courses of business which operated and would operate as a fraud and deceit upon persons, to wit, KIM engaged in a scheme to defraud investors in the Zero Edge company by

making false and misleading statements to current and prospective investors regarding the use of investor funds, and by misappropriating those funds.

(Title 15, United States Code Sections 78j(b), 78ff; Title 17, Code of Federal Regulations, Section 240.10b-5; and Title 18, United States Code, Section 2.)

The bases for my knowledge and for the foregoing charges are, in part, as follows:

3. I have been personally involved in the investigation of this matter. Because this affidavit is being submitted for the limited purpose of demonstrating probable cause, it does not include all the facts that I have learned during the course of my investigation. Where the contents of documents and the actions, statements, and conversations of others are reported herein, they are reported in substance and in part.

KIM Raised Millions to Fund a Crypto Casino

4. For the reasons that follow, I believe that RICHARD KIM, the defendant, fraudulently induced investors to invest in Zero Edge, a cryptocurrency technology company he founded, and then misappropriated millions of dollars in those investors' funds. Specifically, based on my participation in the investigation of this matter, my conversations with other law enforcement agents, my review of documents and other records, and law enforcement interviews with various involved individuals, I have learned, in substance and in part, the following:

a. On or about March 29, 2024, KIM—a former COO of Global Foreign Exchange and Emerging Markets Trading at Goldman Sachs and J.P. Morgan—announced the launch of Zero Edge on LinkedIn. According to KIM's post and subsequent marketing statements, Zero Edge was to be an online casino built on blockchain and cryptocurrency technologies. In particular, KIM represented to prospective investors that Zero Edge would “develop a number of onchain games,” beginning with craps, and operate both a “‘free to play’ / social casino version of the game” in which players could win virtual “FAITH,” a “soulbound virtual currency,” as well as a “‘real money’ / autonomous casino version of the game” in which a casino's traditional “edge” would be rebated to players. KIM wrote that he would serve as the “chief architect” of the company.

b. KIM solicited investments in Zero Edge through a series of pitch decks and investor communications in which he promoted Zero Edge's anticipated offerings. For example, for the first game the company planned to release, a version of craps, KIM proposed that participants would play using virtual chips in the form of a new cryptocurrency token the company would mint, which KIM called “\$RNG.” The \$RNG crypto coin would also be tradeable as a digital currency, earning Zero Edge “swap fees.” KIM represented to investors that he would develop Zero Edge in seven phases with multiple release milestones, the first of which he estimated would be completed in April 2024. KIM identified three sets of deliverables for “Milestone #1,” including a “[f]ull feature set of smart contracts,” “RNG hard currency implementation,” a “[p]roduction ready Telegram bot interface,” and “[i]nitial visual development of [the] Zero Edge world.” In subsequent phases, KIM wrote that the company would also offer other games including roulette, baccarat, and blackjack. KIM wrote to potential investors that the “biggest risk to [the] project is that its deeper message is too hard for ordinary folks to grok.”

c. Between in or about March through June 2024, KIM raised approximately \$4.3 million from investors in a seed financing round which valued the company at \$26 million. In exchange for their funds, KIM provided investors with equity interests in Zero Edge. In addition to the company's seed round financing, Zero Edge also made several sales of \$RNG tokens to investors who did not take equity stakes in the company.

d. In soliciting equity investments and promoting the sale of \$RNG tokens, KIM assured prospective investors that their funds would be used to develop the Zero Edge business. For example, in multiple token sale agreements, KIM represented to investors that funds would be used solely for the development of the token technology. In agreements signed on or about May 10, 2024, and May 15, 2024, KIM sold two investors the rights to \$RNG cryptocurrency tokens the company would mint in the future, agreeing that the purchase proceeds "shall only be applied towards the purposes of the advancement, development and promotion of the Protocol and RNG Tokens." KIM agreed to sell the tokens for approximately \$350,000. Further, according to an interview conducted by the FBI with one investor ("Investor-2"), Investor-2 understood that KIM had represented investor funds provided during the seed financing round would be used to develop the Zero Edge technology, not make speculative cryptocurrency trades. Investor-2 said that they would not have invested had they understood that the funds amounted to a personal loan to KIM.

e. KIM also represented to prospective investors that Zero Edge would be developed in compliance with applicable laws. For example, in responding to questions from an investor affiliated with a potential corporate venture investor, KIM said—in a document attached to an e-mail he sent to the investor—that he was concerned about "[l]egal risk from gaming regulators" and "securities law risk" related to his plans to distribute revenue back to players. But KIM said that such risks were mitigated, in part, by the fact that the company had "received legal memos" addressing the regulation of casinos, including one from the law firm Greenberg Traurig LLP, which KIM sent to one potential investor by e-mail on or about March 4, 2024.

f. KIM also made formal agreements to investors regarding the company's legal compliance. In an Investors' Rights Agreement drafted approximately a week before the closing of the company's seed round financing on or about June 20, 2024, KIM committed, in order "to induce the Investors to invest funds in the Company pursuant to the Purchase Agreement," to (among other things) provide investors with historical and ongoing financial statements, an annual budget, the company's capitalization table, and other information, as well as rights to inspect the company's books and records and to "discuss the Company's affairs, finances, and accounts with its officers."¹ The company also agreed to "use its commercially reasonable efforts to cause any direct or indirect subsidiary, whether now in existence or formed in the future, to comply in all material respects with all applicable laws"; "implement and maintain commercially reasonable

¹ According to documents obtained from, and representations made by counsel for, one investor, the Investors' Rights Agreement appears to have never been provided by Zero Edge to that investor in a fully executed form. An earlier draft of the same agreement removed a commitment to provide "other information relating to the financial condition, business, prospects, or corporate affairs of the Company as any Major Investor may from time to time reasonably request." The agreement also eliminated a provision that had previously required the company to "adopt an investment policy and cash management policy []prepared in consultation with the Company's tax counsel to ensure compliance with the Company's obligations."

physical, technical and administrative safeguards designed to protect the security, confidentiality, integrity and availability of all Protected Data and Systems”; and “maintain commercially reasonable systems of internal controls (including, but not limited to, accounting systems, purchasing systems and billing systems) to provide reasonable assurances regarding compliance with the FCPA, the U.K. Bribery Act, or any other applicable anti-bribery or anti-corruption law.” Zero Edge also agreed to provide shares in its seed round to an earlier investor in consideration for services the investor had already provided, including payments the investor made for legal fees on Zero Edge’s behalf, which the investor understood to be made in part to ensure that the company’s technology was built in compliance with applicable laws.

g. An investor agreement between Zero Edge and seed investors also provided that certain business matters would require majority consent of the investors, including making “any material change to the nature of the business,” altering the “terms of employment and service” of directors, making “any loan or advance or [giving] any credit,” and “enter[ing] into or vary[ing] any transaction or arrangement with, or for the benefit of any of its directors or shareholders.” On the basis of my investigation thus far, KIM appears to have obtained no such consent in connection with his use of the seed funds.

KIM Gambled Away His Investors’ Funds

5. Based on a review of cryptocurrency and bank transaction records, I have learned that RICHARD KIM, the defendant, transferred investor funds from Zero Edge accounts to his personal accounts shortly after receiving them, used certain investor funds for speculative cryptocurrency trades and gambling, and, within a week of concluding his initial seed financing round for the company, had lost nearly all investor funds. Specifically:

a. According to an FBI analysis of financial records, between in or about June 21, 2024, and June 26, 2024, KIM diverted approximately \$3.8 million of investors’ funds first into a personal cryptocurrency account held at Coinbase (“Coinbase Account-1”), and then sent nearly approximately \$1 million on to a variety of other crypto exchanges, including Binance, Kraken, and Backpack. Between in or about June 21, 2024, and June 24, 2024, KIM sent another approximately \$2.3 million from Coinbase Account-1 to a personal account held at Kraken (“Kraken Account-1”). According to documents obtained from Kraken, KIM did so even though, when opening Kraken Account-1, he represented that he was not “creating [the] account on behalf of a 3rd party,” and was informed that, if he were, he would “need to apply as a corporate client.”

b. Further, between in or about June 21, 2024, and June 27, 2024, KIM made net transfers of approximately \$1 million from Coinbase Account-1 to an account held at Shuffle.com—a business that advertises itself as a “VIP Crypto Casino and Sportsbook.” KIM did not at any time disclose the transfers to his investors or to the SEC. In an interview with Investor-2, Investor-2 said that they had never heard of Shuffle.com and never believed there existed a business purpose to direct company funds to the website.

c. According to an FBI financial analysis, beginning on or about June 21, 2024, KIM executed more than a hundred trades in his personal accounts held at cryptocurrency exchanges including Coinbase and Kraken, losing at least approximately \$1 million of investor funds through spot and futures trading. Through a series of transactions, KIM funded Coinbase Account-1 and

Kraken Account-1 almost entirely with investor funds, and then made numerous transfers of those funds—and funds derived from those funds, after speculative brokerage trading—to other accounts, including to other cryptocurrency wallets and to the gambling website Shuffle.com. In one instance, KIM transferred approximately \$50,000 of investor funds directly from Coinbase Account-1, which had received them directly from a cryptocurrency wallet into which the investors had deposited them, to Kraken Account-1, and then immediately to Shuffle.com. In all, KIM made more than \$7 million of transfers to Shuffle.com, often sending money back and forth to Kraken Account-1. Because KIM made net transfers to Shuffle.com of more than \$1 million from Kraken Account-1, which began at the relevant time exclusively with investor funds, I believe that approximately at least that amount was lost by KIM not through cryptocurrency trading—which KIM later admitted—but rather through personal gambling, which KIM at all times concealed. KIM also directed a net amount of approximately \$450,000 more to other cryptocurrency wallets with unknown owners, none of which was ultimately returned to either Coinbase Account-1 or Kraken Account-1, and transferred approximately \$145,000 from Kraken Account-1 to his personal checking account at TD Bank. One or more of these transfers occurred in the Southern District of New York.

KIM Admits His Misappropriation

6. Only approximately one week after the seed round’s closing, on or about June 28, 2024, RICHARD KIM, the defendant, called a Zero Edge investor (“Investor-1”) with whom he previously worked at a venture capital firm and admitted, according to Investor-1’s contemporaneous notes of the call, that he had lost approximately \$3.7 million of the investors’ money. KIM admitted, in sum and substance, to transferring the proceeds of the company’s seed financing into his personal accounts and then speculatively trading cryptocurrencies. KIM claimed that he had bought \$1 million in Bitcoin while providing “full disclosure,” but that the price of Bitcoin suddenly fell, causing the company to lose approximately \$20,000. KIM said he made leveraged bets on Bitcoin to make up the losses, but then lost several hundred thousand dollars more. KIM said he then began “day trading” the investors’ funds, losing millions more, until the company had only \$710,000 left. Investor-1 responded, according to the investor’s notes of the call, that “the obvious assumption here is that [KIM] stole the money as it’s hard to imagine he actually lost it all trading so fast.” Later during the call, Investor-1 again repeated that “this whole thing seems highly improbable and for sure we were all going to want and need some real evidence that this was gross negligence and not fraud.”

7. The next day, on or about June 29, 2024, RICHARD KIM, the defendant, sent an e-mail to investors admitting to misappropriating the funds. In that message, KIM wrote that he was “solely responsible for the loss of \$3.67m of the Company’s balance sheet” following “leveraged trading losses from seed round financing proceeds” and that the company had \$460,000 left. KIM wrote that he “fully acknowledge[d] the breach of trust that [] occurred” and that “[t]he responsibility for these actions rests solely with me.” KIM said he felt a “sudden and uncontrollable urge to find that ‘shortcut to success’” by trading with investor funds and admitted that his “unjustifiable leverage trading strategy” was “shockingly poor decision making.” In a July 9, 2024, e-mail to other investors, KIM wrote that, “[e]ach of you trusted me to build something great, and I violated it at the deepest levels, all from my closest friends.”

8. According to records maintained by the Securities and Exchange Commission (“SEC”), RICHARD KIM, the defendant, reported his own conduct to the SEC on or about July 9, 2024, claiming that he had been “grossly negligent” in misusing company funds but that he “had no fraudulent intent throughout” but rather “gambled investor money away” because he had a gambling addiction. On the same day, a group of the Zero Edge investors also reported KIM’s conduct to the SEC, writing that KIM appeared to have “engag[ed] in unauthorized, and secret, trading with the Seed Funds” and “may pose a continuing danger to other investors” because they believed KIM was “now trying to raise capital for a new venture, unconnected to [Zero Edge], that would mimic Zero Edge’s business plan.”

9. From a review of public posts and correspondence authored by RICHARD KIM, the defendant, I know that in KIM’s various apologies to investors he misleadingly described where investors funds had gone, and why, and omitted to inform investors that certain funds had been transferred to Shuffle.com, the gambling website.

a. For example, on or about July 15, 2024, KIM wrote in a public Substack post that an earlier “careless mistake” caused the company to lose \$80,000 to “a phishing site” and he felt he needed to “make it back” to “preserve [his] reputation.” KIM also claimed, in sum and substance, that he had never “mix[ed] personal and business funds,” but, as noted above, the FBI’s tracing analysis shows KIM transferred funds to personal accounts at Kraken and Coinbase and between accounts at trading and gambling sites.

b. Similarly, in a June 29, 2024, e-mail to seed investors, KIM acknowledged that, although he did not send the investors’ funds to Zero Edge’s Coinbase custody account, which he said was not “established on time,” he had created a newly established Coinbase wallet to execute transactions “for the account of Zero Edge, not for my own personal capacity.” In fact, as KIM privately acknowledged in his July 9, 2024, submission to the SEC and in his June 28, 2024, call with Investor-1, KIM had directed the investors’ funds be sent to personal accounts held in his own name, as described above.

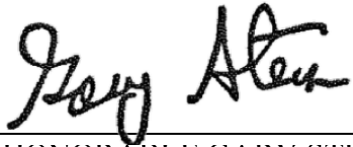
c. In a June 29, 2024, e-mail, KIM blamed his embezzlement on a “deep-rooted gambler’s mentality” that he “disclosed in detail to every investor.” In fact, according to representations made by counsel for the venture capital firm at which KIM previously worked, KIM’s former colleagues—including Investor-1, to whom KIM referred affectionately as his longtime “old partner” in an e-mail he sent on or about August 20, 2024—were not aware KIM had a “pernicious history” of gambling. In an interview conducted by the FBI with Investor-2, Investor-2 likewise indicated that they were unaware KIM had any such history. Investor-2 said that they would not have invested without additional safeguards, or would not have invested at all, had KIM’s history been disclosed.

10. As CEO of Zero Edge, KIM was a fiduciary with a relationship of trust to the company’s investors, to whom he owed a duty of loyalty. In an e-mail to investors sent on June 29, 2024, KIM wrote that, “I fully acknowledge the breach of trust that has occurred. The responsibility for these actions rests solely with me. . . . I am committed to doing everything in my power to make this right and regain your trust over time.”

WHEREFORE, I respectfully request that a warrant be issued for the arrest of RICHARD KIM, the defendant, and that he be arrested, and imprisoned or bailed, as the case may be.

/s/ Thomas McGuire (by GS w/ permission)
THOMAS MCGUIRE
Special Agent
Federal Bureau of Investigation

Sworn to me by reliable electronic means,
pursuant to Federal Rule of Criminal Procedure
4.1 this 13th day of April, 2025

A handwritten signature in black ink, appearing to read "Gary Stein", written over a horizontal line.

THE HONORABLE GARY STEIN
United States Magistrate Judge
Southern District of New York